

**China-Biotics, Inc. Reports 37.6% Revenue Growth
for the Second Quarter of Fiscal Year 2011**

- Gross profit increased 25.6% yoy to \$15.3M; Q2 Diluted EPS \$0.33 -
- Free Cash Flow of \$6.3M -

SHANGHAI, China, November 9, 2010, China-Biotics, Inc. (NASDAQ: CHBT) ("China-Biotics" or "the Company"), a leading developer, manufacturer and distributor of probiotics products in China, today reported its financial results for the second quarter and the first six months of its 2011 fiscal year, both ended September 30, 2010.

Second Quarter FY2011 Highlights

- Net sales increased 37.6% yoy to \$23.6 million;
- Gross bulk products sales increased 69% yoy to \$9.9 million;
- Gross profit increased 25.6% yoy to \$15.3 million, with a gross margin of 64.8%;
- GAAP net income was \$10.8 million, or \$0.33 per diluted share;
- Excluding the non-cash gains from change in fair value of convertible bonds, non-GAAP net income was \$8.1 million, or non-GAAP diluted EPS \$0.33;
- Cash and cash equivalents were \$158.8 million;
- R&D expenses increased 123.1% yoy to a quarterly record of \$1.6 million;

Mr. Jinan Song, China-Biotics' Chairman and CEO, said, "We are encouraged by our consolidated bulk business despite an unusually hot summer with record temperatures in Shanghai. In response to the market dynamics and inflation trend, we have made the necessary adjustments to reduce the number of our retail outlets even with continuing growth in our retail product sales despite the seasonality factor. Our successful selling expense reduction attests to our ongoing efforts in cost control and efficiency improvement. As the first group of bulk customer base starts to stabilize, volumes are better distributed among these customers. We believe that these changes are strategically favorable to maintaining our profitability and building long-term shareholder value."

Second Quarter FY2011 Financial Results

Net sales in the second quarter of fiscal year 2011 increased by 37.6% to \$23.6 million from \$17.1 million in the second quarter of fiscal year 2010. The increase was primarily due to increased sales volume in retail and bulk additive products, and bulk additive products accounted for 41% of total quarterly gross sales. Gross bulk sales increased 69% year-over-year to \$9.9 million from \$5.9 million in the same quarter last year. Gross retail sales increased 14% year-over-year to \$14.3 million as increased sales volume offset discounts on certain retail products. As of September 30, 2010, the Company had a total of 15 retail outlets in operation compared with 107 outlets as of September 30, 2009 and 103 outlets as of June 30, 2010. The Company decided to close a large number of outlets as its growth strategy shifted to selling retail products through distributors and a focus on direct sales of bulk additives to large customers.

Gross profit increased 25.6% to \$15.3 million from \$12.2 million in the same period of fiscal year 2010. Gross margin was 64.8% compared with 71.0% in the same period of fiscal year 2010. The decline in blended gross margin reflects promotional discounts on certain retail products as well as the continuing product mix change as comparatively lower-margined bulk products increasingly account for a larger share of total sales.

General and administrative (G&A) expenses amounted to \$1.5 million, compared with \$1.2 million in the previous year. The increase in general and administrative expenses was primarily due to the increase in legal and professional fees and staff costs. As of September 30, 2010 the Company had a total of 447 employees, compared with 415 as of September 30, 2009. However, G&A expenses as a percentage of revenue decreased to 6.3% for the second quarter of fiscal year 2011 from 7.1% in the second quarter of fiscal year 2010.

Selling expenses for the second quarter of fiscal year 2011 were \$2.6 million, compared with \$2.7 million in second quarter in fiscal year 2010. Selling expenses as a percentage of revenue decreased to 10.9% for the second quarter of fiscal year 2011 from 15.9% in the second quarter of fiscal year 2010. The closure of retail outlets during this quarter reduced the operating cost, and, as a result, the selling expenses as a percentage of sales declined. For bulk business, the selling expense is relatively low in the quarter being reported, and the Company expects it to increase in the future as it will have higher spending for sales promotions.

Research and development (R&D) expenses increased 123.1% to a quarterly record of \$1.6 million from \$0.7 million in the second quarter of fiscal year 2010. The increase in R&D expenses was mainly due to additional research costs for the development of new products. R&D expenses as a percentage of revenue was 6.8%, up from 4.2% for the second quarter of fiscal year 2010. The Company established a strong research and development team supported by a technical advisory board of experts. In addition to having advanced technology in bacteria culturing and protection, the Company also conducts research to develop products that address specific health problems, using the Company's core technology and Chinese medicines to create genetically engineered drugs and drug delivery solutions.

Total operating expenses for the second quarter of fiscal year 2011 were \$5.4 million compared with \$4.6 million in the second quarter of fiscal year 2010. SG&A expenses as a percentage of revenue decreased to 17.1% in the second quarter of fiscal year 2011 from 23.1% in the second quarter fiscal year 2010.

Operating income was \$9.9 million, 31.7% higher compared with \$7.5 million in the same period of fiscal year 2010. Operating margin was 42% in the 2011 second quarter as compared to 43.9% in the same quarter a year ago.

GAAP net income for the second quarter of fiscal year 2011 was \$10.8 million, compared with net loss of \$3.5 million in the same period of fiscal year 2010. Diluted net income per share was \$0.33, compared with diluted earnings per share \$0.31 in the same period of fiscal year 2010, on a substantially greater number of shares outstanding.

Excluding the non-cash losses from the change in value of convertible bonds, non-GAAP net income was \$8.1 million, compared with \$5.9 million in the second quarter of fiscal year 2010. Non-GAAP diluted EPS was \$0.33, an increase from \$0.31 in the same quarter of fiscal year 2010, on a substantially greater number of shares outstanding.

For the three months ended September 30, 2010, the total number of shares outstanding on a fully diluted basis was 24,391,431, compared with 19,163,333 shares for the three months ended September 30, 2009.

As of September 30, 2010, the Company had cash and cash equivalents totaling \$158.8 million, compared with \$155.6 million at the end of March 2010. The Company had a convertible note amount of \$24 million with a conversion price at \$12, with an expiration date on December 11, 2010. Total stockholders' equity rose to \$185.2 million at September 30, 2010 from \$156.2 million at March 31, 2010.

Net cash flow from operating activities was \$14.7 million compared with \$10.3 million in the same quarter last year. Free cash flow was \$6.3 million compared with \$8.3 million in the second quarter of fiscal year 2010.

Six Month Financial Results

Net sales for the first six months of the 2011 fiscal year were \$48.5 million, up 49% from \$32.6 million in the same period of the prior year. Gross profit was \$32.4 million, or 67% of sales, up 40% from gross profit of \$23.1 million, or 71% of sales, in the first six months of fiscal year 2010. Operating income was \$21.8 million, or 45% of sales, an increase of 51% from \$14.4 million, or 44% of sales, in the same period of the prior year. Including a non-cash gain of \$12.0 million related to change in the fair value of the convertible notes, GAAP net income for the first six months of fiscal 2011 was \$29.7 million, compared with \$2.3 million in the same period of fiscal 2010. Non-GAAP net income was \$17.7 million for the first six months of fiscal 2011, up 58% from \$11.2 million during the same period last year.

Recent Developments

China-Biotics had 37 bulk customers as of September 30, 2010. The Qingpu facility produced approximately 15 metric tons of bulk probiotics products during the second quarter of fiscal year 2011. The Company expects to achieve a production run rate of 75 metric tons per year by the end of the 2010 calendar year.

Pursuant to the share repurchase program approved by the Company's Board of Directors on July 7, 2010, the Company repurchased 219,800 shares of its common stock for an aggregate cost of \$2,739,634 during the second quarter ended September 30, 2010. The repurchased shares will be added to the Company's treasury stock reserve.

In August 2010, the Company announced that it plans to build a new facility dedicated to the production and sale of probiotics and related biological products for the animal feed industry in the Yangling Agricultural High-tech Industries Demonstration Zone in Shanxi Province.

In August 2010, the Company was ranked 62nd on FORTUNE's 2010's "Fastest-Growing Companies" List. FORTUNE'S 100 Fastest-Growing Companies list includes foreign and domestic companies traded on a major U.S. stock exchange with annual revenue and net income of at least \$50 million and \$10 million, respectively, a market capitalization over \$250 million, and significant revenue and earnings growth over recent quarters, among other criteria.

In September 2010, the Company's wholly owned subsidiary, Growing Bioengineering (Shanghai) Co. Ltd., submitted two new patent applications in the heat-resistant fermentation technology area and for a probiotics protein beverage to the State Bureau of Intellectual Property in China.

In September 2010, the Company hosted its first investor day with a group of investors and analysts in Shanghai. Samples of China-Biotics' bank statements, tax returns and retail outlet lease agreements were made available and reviewed by investors and analysts who attended the event. Some distributors of Shining retail products attended a morning meeting with a question-and-answer session. Participants in the investor day visited retail outlets and a mall where customers can purchase China-Biotics' Shining brand products. The investor day also included tours of the Pudong and Qingpu production plants and the research and development center at the Company's brand-new office building in Qingpu. Some of China-Biotics' bulk additive customers from the dairy and animal feed industries came to discuss the Company's products and their uses and answered investors' questions.

In October 2010, the Company's management presented at the Jefferies 2010 Global SpecPharma and European Healthcare conference in London.

In October 2010, the Company's management attended the BNP Paribas 17th Annual China Conference in Guilin, China.

In October 2010, the Company's wholly owned subsidiary, Growing Bioengineering (Shanghai) Co. Ltd, presented at the Health Ingredients Japan 2010 conference in Tokyo.

Outlook for the Fiscal Year 2011

For fiscal year 2011, the management maintains the expectation that net sales will achieve at least 50% year-over-year growth. This target is based on the Company's current views on operating and market conditions, which are subject to change.

Mr. Jinan Song, Chairman and CEO of China-Biotics, said, "We remain confident with our full-year outlook. Entering into the third quarter of fiscal year 2011, we expect that our retail product sales will accelerate as the months from October through March typically generate high demand for nutritional product sales. With our new retail operation model mainly focusing on sales through large trusted distributors, we are now rapidly expanding the points of sales of our branded Shining products and also dramatically reducing selling expenses by closing retail outlets, as retail outlets are carrying substantially higher maintenance costs due to a nationwide increase in wages and higher commercial rent in major cities. Our transition to the bulk business will continue and accelerate in the second half of our fiscal year as well. As more dairy companies benefit from the stability and vitality of our probiotics cultures, our bulk products are gaining traction with these dairy companies' increased yogurt production. Our plan is to increase penetration into other dairy producers. With the completion of our retail operation changes and expected utilization expansion in our bulk business, we look forward to a strong operating margin in the coming quarters."

Conference Call

The Company will host a conference call at 8:00 a.m. Eastern Standard Time / 9:00 p.m. Beijing Time on Tuesday, November 9, 2010, to discuss the fiscal year 2011 second quarter and first six months' financial results, both ended September 30, 2010.

The telephone numbers for the conference call are (866) 383-7998 (U.S.) or +1 (617) 597-5329 (international), passcode: 45985589. A live webcast of the call will also be available on the investor relations section of the Company's website at www.chn-biotics.com. To listen to the webcast, please visit the site at least 10 minutes early to register, download and install any necessary audio software.

The replay of the webcast will be archived on the website, and investors will be able to access the recording of the conference call until midnight EST on November 16, 2010 by calling (888) 286-8010 (U.S.) or +1 (617) 801-6888 (international) and entering the passcode 21680945.

About China-Biotics

China-Biotics, Inc. ("China-Biotics" or "the Company"), a leading manufacturer of biotechnology products and supplements, engages in the research, development, marketing and distribution of probiotics dietary supplements in China. Through its wholly owned subsidiaries, Shanghai Shining Biotechnology Co., Ltd. and Growing Bioengineering (Shanghai) Co. Ltd., the Company develops and produces a proprietary product portfolio. Currently, its retail products are sold over the counter, mainly through large distributors, to

pharmacies and supermarkets in Shanghai and Jiangsu and Zhejiang provinces. The Company also sells bulk products to institutional customers such as dairy and animal feed producers as well as pharmaceutical companies. In February 2010, China-Biotics began its commercial production in China's largest probiotics production facility to meet growing demand in China. For more information, please visit <http://www.chn-biotics.com>.

Safe Harbor Statement

The information in this release contains forward-looking statements which involve risks and uncertainties, including statements regarding the Company's capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, which may be identified by terminology such as "may," "should," "will," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "forecast," "project," or "continue," the negative of such terms or other comparable terminology. Readers should not rely on forward-looking statements as predictions of future events or results. Any or all of the Company's forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions, risks and uncertainties and other factors which could cause actual events or results to be materially different from those expressed or implied in the forward-looking statements. In evaluating these statements, readers should consider various factors, including the risks described in "Item 1A. Risk Factors" beginning on page 17 and elsewhere in the Company's 2010 Annual Report on Form 10-K. These factors may cause the Company's actual results to differ materially from any forward-looking statement. In addition, new factors emerge from time to time and it is not possible for the Company to predict all factors that may cause actual results to differ materially from those contained in any forward-looking statements. The Company disclaims any obligation to publicly update any forward-looking statements to reflect events or circumstances after the date of this document, except as required by applicable law.

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CHINA-BIOTICS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (Amounts expressed in US Dollars)

	September 30, 2010	March 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 158,843,559	\$ 155,579,371
Accounts receivable, net	26,582,587	21,008,664
Other receivables	303,041	791,907
Inventories	982,751	1,100,707
Amount due from a director	3,877,679	2,367,892
Prepayment	228,816	1,104,149
Total current assets	\$ 190,818,433	\$ 181,952,690
Land use right	1,814,629	1,797,082
Property, plant and equipment, net	61,165,010	48,886,077
Deferred tax assets	-	298,833
Total assets	\$ 253,798,072	\$ 232,934,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 4,579,227	\$ 5,850,988
Tax payables	30,572,679	28,989,337
Other payables and accruals	2,332,014	1,815,487
Convertible note, net of discount of \$1,004,461 and \$2,853,094 as of September 30, 2010 and March 31, 2010, respectively	23,995,539	22,146,906
Embedded derivatives	2,847,000	14,797,000
Interest payable	4,266,639	3,156,035
Total current liabilities	\$ 68,593,098	\$ 76,755,753
Commitments and contingencies		
Stockholders' equity:		
Common stock (par value of \$0.0001, 100,000,000 shares authorized, 46,751,004 shares issued and 22,150,200 outstanding as of September 30, 2010 and as of March 31, 2010)	\$ 4,675	\$ 4,675
Additional paid-in capital	82,769,074	82,769,074
Retained earnings	95,137,457	65,441,994
Treasury stock at cost (24,600,804 and 24,381,004 shares as of September 30, 2010 and March 31, 2010, respectively)	(2,742,072)	(2,438)
Accumulated other comprehensive income	7,010,046	4,939,830
Capital and statutory reserves	3,025,794	3,025,794
Total stockholders' equity	\$ 185,204,974	\$ 156,178,929
Total liabilities and stockholders' equity	\$ 253,798,072	\$ 232,934,682

CHINA-BIOTICS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Amounts expressed in US Dollars)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 23,588,647	\$ 17,148,659	\$ 48,524,366	\$ 32,561,121
Cost of sales	(8,300,608)	(4,980,623)	(16,119,083)	(9,479,296)
Gross profit	<u>\$ 15,288,039</u>	<u>\$ 12,168,036</u>	<u>\$ 32,405,283</u>	<u>\$ 23,081,825</u>
Operating expenses:				
Selling expenses	\$(2,559,158)	\$(2,733,234)	\$(5,617,536)	\$(5,080,826)
General and administrative expenses	(1,477,494)	(1,223,278)	(2,680,032)	\$(2,283,574)
Research and development costs	\$(1,592,754)	(713,940)	(2,675,253)	(1,388,309)
Other income/(expenses), net	258,233	32,483	355,087	\$ 68,931
Total operating expenses	<u>\$(5,371,173)</u>	<u>\$(4,637,969)</u>	<u>\$(10,617,734)</u>	<u>\$(8,683,778)</u>
	<u>\$ 9,916,866</u>	<u>\$ 7,530,067</u>	<u>\$ 21,787,549</u>	<u>\$ 14,398,047</u>
Other income and expenses:				
Changes in the fair value of embedded derivatives	\$ 2,742,000	\$(9,430,000)	\$ 11,950,000	\$(8,916,000)
Interest income	97,294	72,781	185,170	139,869
Total other income/(expenses)	<u>\$ 2,839,294</u>	<u>\$(9,357,219)</u>	<u>\$ 12,135,170</u>	<u>\$(8,776,131)</u>
Income/(loss) before taxes	\$ 12,756,160	\$(1,827,152)	\$ 33,922,719	\$ 5,621,916
Provision for income taxes	(1,922,233)	(1,655,914)	(4,227,256)	(3,337,233)
Net income/(loss)	<u>\$ 10,833,927</u>	<u>\$(3,483,066)</u>	<u>\$ 29,695,463</u>	<u>\$ 2,284,683</u>
Earnings/(loss) per share:				
Basic	\$ 0.49	\$(0.20)	\$ 1.33	\$ 0.13
Diluted	\$ 0.33	\$ 0.31	\$ 0.73	\$ 0.58
Shares used in computation of earnings per share				
Basic	22,308,098	17,080,000	22,338,880	17,080,000
Diluted	24,391,431	19,163,333	24,422,213	19,163,333

CHINA-BIOTICS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Amounts expressed in US Dollars)

	Six months ended September 30,	
	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 29,695,463	\$ 2,284,683
Adjustment for:		
Changes in the fair value of embedded derivatives	(11,950,000)	8,916,000
Loss on disposal of plant and equipment	272,308	-
Change in deferred tax	298,894	(133,353)
Depreciation	1,460,710	937,500
Increase in accounts receivable	(5,050,340)	(2,632,668)
Decrease in others receivable	526,552	-
Decrease/(Increase) in inventories	138,451	(339,362)

Decrease/(Increase) in prepayments	855,167	(67,851)
(Decrease)/Increase in accounts payable	(1,363,472)	178,523
Decrease in other payables and accruals	(1,132,038)	(540,397)
Increase in tax payables	973,268	1,687,907
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 14,724,963	\$ 10,290,982
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of fixed assets	\$ (8,459,056)	\$ (1,987,755)
Proceeds from sales of plant property and equipment	976	-
NET CASH USED IN INVESTING ACTIVITIES	\$ (8,458,080)	\$ (1,987,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash advance from a director	1,743,864	3,113,900
Repayment on advance from a director	(3,250,000)	(2,999,641)
Treasury Stock acquired	(2,739,634)	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	\$ (4,245,770)	\$ 114,259
Effect of exchange rate changes on cash	1,243,075	203,107
NET INCREASE IN CASH AND CASH EQUIVALENTS BALANCES	\$ 3,264,188	\$ 8,620,593
CASH AND CASH EQUIVALENTS BALANCES AT BEGINNING OF PERIOD	155,579,371	70,824,041
CASH AND CASH EQUIVALENTS BALANCES AT END OF PERIOD	\$ 158,843,559	\$ 79,444,634
Supplemental disclosure cash flow information:		
Interest paid	500,052	755,833
Income tax paid	2,523,939	2,204,523

Use of Non-GAAP Financial Measures

GAAP results for the second quarters and six months ended September 30, 2010 and September 30, 2009, include non-cash losses or gains related to change in fair value of the Company's convertible notes. To supplement the Company's condensed consolidated financial statements presented on a GAAP basis, the Company has provided non-GAAP financial information excluding the impact of these items in this release, which are non-GAAP net income and non-GAAP diluted earnings per share. The Company's management believes that these non-GAAP measures provide investors with a better understanding of how the results relate to the Company's historical performance. A reconciliation of adjustments to GAAP results appears in the tables accompanying this press release. This additional non-GAAP information is not meant to be considered in isolation or as a substitute for GAAP financials.

	Three Months Ended September 30,			
	2010		2009	
Adjusted Net income	Net Income	Diluted EPS	Net Income	Diluted EPS
Adjusted Amount	8,091,927	0.33	5,946,934	0.31
Adjustments				
Non-cash (losses) gains from change in fair value of convertible bonds	2,742,000	0.16	(9,430,000)	0.51

Amount per consolidated statement of operations	10,833,927	0.49	(3,483,066)	(0.20)
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Six Months Ended September 30,

	<u>2010</u>		<u>2009</u>	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Adjusted Net income				
Adjusted Amount	17,745,463	0.73	11,200,683	0.58
Adjustments				
Non-cash (losses) gains from change in fair value of convertible bonds	11,950,000	0.60	(8,916,000)	(0.51)
Amount per consolidated statement of operations	29,695,463	1.33	2,284,683	0.13

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